ANNUAL REPORT



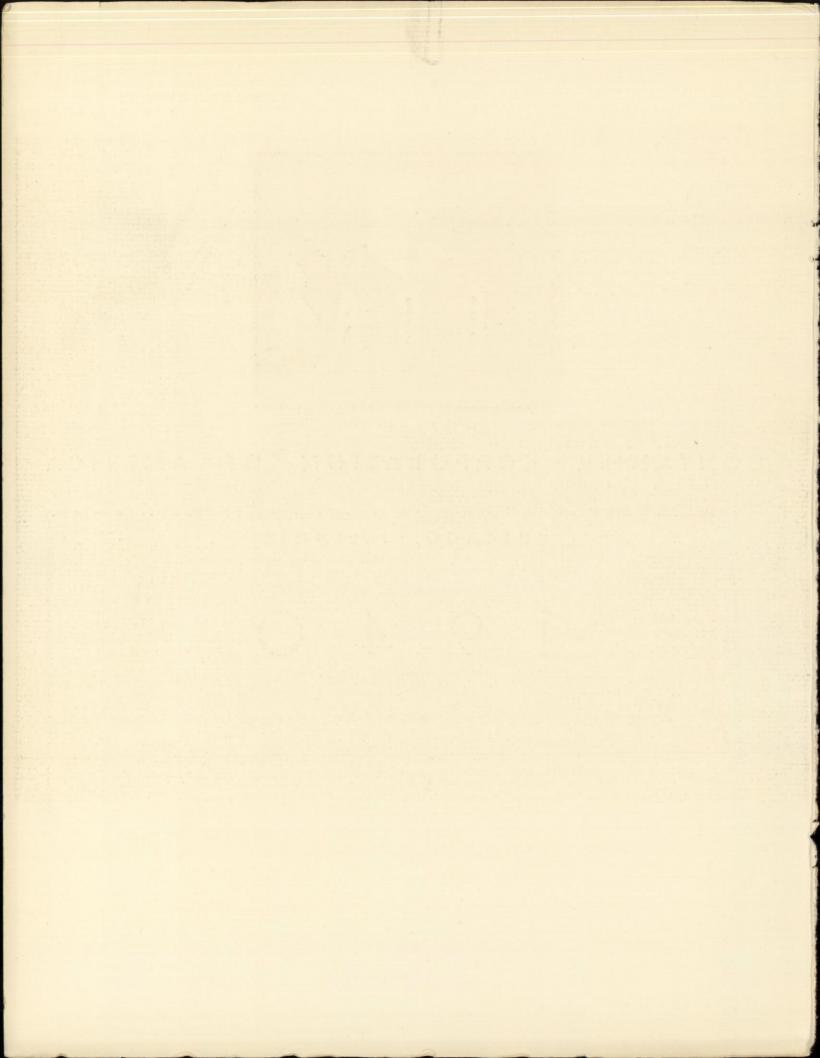
CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS

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FISCAL YEAR ENDED DECEMBER THIRTY-FIRST

0884.34 C7071



ANNUAL REPORT



FEBRUARY 25, 1941

CONTAINER CORPORATION OF AMERICA

MILLS CARTHAGE, INDIANA

CHICAGO, ILLINOIS

CIRCLEVILLE, OHIO

FERNANDINA, FLORIDA

Kokomo, Indiana (IDLE)

PHILADELPHIA, PENNSYLVANIA

Wabash, Indiana

WILMINGTON, DELAWARE (leased)

FACTORIES ANDERSON, INDIANA

CHICAGO, ILLINOIS

CLEVELAND, OHIO (leased)

CINCINNATI, OHIO

FORT WORTH, TEXAS (leased)

NATICK, MASSACHUSETTS

PHILADELPHIA, PENNSYLVANIA

ROCK ISLAND, ILLINOIS (leased)

BRANCH AND SALES OFFICES AKRON, OHIO

Anderson, Indiana

CHICAGO, ILLINOIS

CINCINNATI, OHIO

CLEVELAND, OHIO

DETROIT, MICHIGAN

FORT WORTH, TEXAS

Indianapolis, Indiana

MINNEAPOLIS, MINNESOTA

NATICK, MASSACHUSETTS

NEW YORK, NEW YORK

PEORIA, ILLINOIS

PHILADELPHIA, PENNSYLVANIA

PITTSBURGH, PENNSYLVANIA

ROCHESTER, NEW YORK

ROCK ISLAND, ILLINOIS

St. Louis, Missouri

WABASH, INDIANA

OPERATING SUBSIDIARY

PIONEER PAPER STOCK COMPANY

Plants (all leased) located at

CHICAGO, ILL., DETROIT, MICH.,

KALAMAZOO, MICH., PHILADELPHIA, PA.

AFFILIATED COMPANY SEFTON FIBRE CAN COMPANY, St. Louis, Mo.

111 WEST WASHINGTON STREET, CHICAGO

J. J. Brossard, Philadelphia, Pennsylvania
Henry B. Clark, San Diego, California
Wesley M. Dixon, Chicago, Illinois
John L. Dole, Chicago, Illinois
George deB. Greene, New York, New York
William P. Jeffery, New York, New York
Walter P. Paepcke, Chicago, Illinois
J. V. Spachner, Chicago, Illinois

EXECUTIVE COMMITTEE

WILLIAM R. BASSET
WILLIAM P. JEFFERY
WALTER P. PAEPCKE

OFFICERS

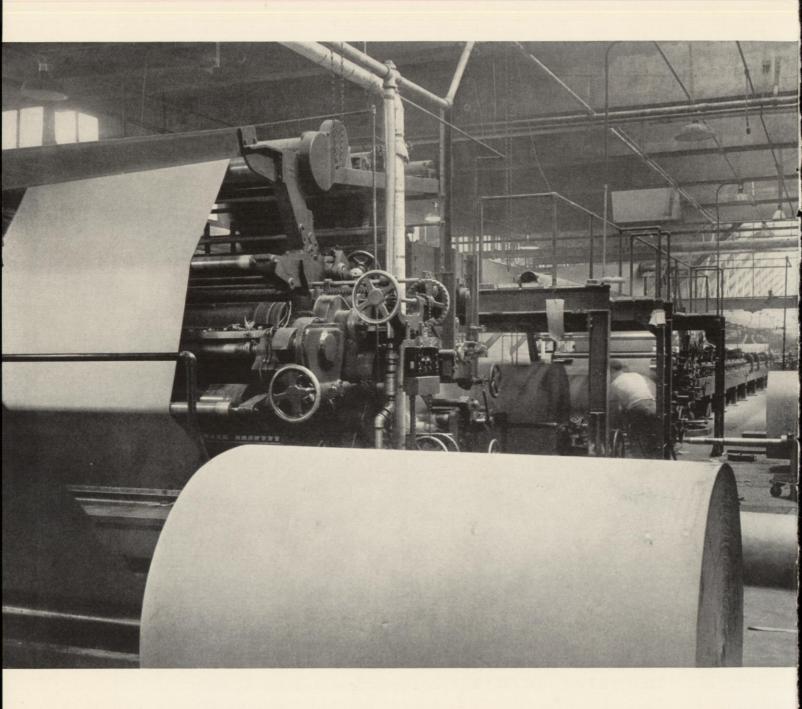
President, Walter P. Paepcke
Vice President, J. J. Brossard
Vice President, Wesley M. Dixon
Vice President, Ira C. Keller
Vice President, J. V. Spachner
Treasurer—Comptroller,
H. C. Baumgartner
Secretary, E. A. Wagonseller
Assistant Treasurer, Christ Madsen
Assistant Secretary, L. A. Combs

TRANSFER AGENTS

Container Corporation of America, Chicago, Illinois City Bank Farmers Trust Company, New York, New York

REGISTRARS

CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY, Chicago, Illinois
THE NEW YORK TRUST COMPANY,
New York, New York



Eighty-five-inch corrugator recently installed at the Quad Cities plant, Rock Island, Illinois. With a top speed of 375 feet per minute, it can produce over 100,000 square feet of corrugated paperboard per hour.

CONTAINER CORPORATION OF AMERICA CHICAGO, ILLINOIS, FEBRUARY 25, 1941

TO THE STOCKHOLDERS OF CONTAINER CORPORATION OF AMERICA

We submit herewith the Annual Report of Container Corporation of America for the year ended December 31, 1940, including the Auditors' Certificate, a Consolidated Balance Sheet, and Summaries of Consolidated Profit and Loss and Surplus Accounts.

FINANCIAL REVIEW

PROFIT AND LOSS. The consolidated net profit for 1940 was \$2,227,682 compared with \$1,448,900 for 1939. In each case, earnings are net after administrative charges, interest, and provisions for depreciation, bad and doubtful accounts, local and Federal taxes, including excess profits taxes. These earnings are equivalent to \$2.85 a share on each of the 781,253 outstanding shares of capital stock. Quarterly earnings per share were:

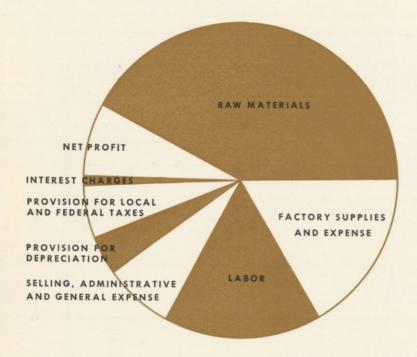
1st Quarter (After Federal income tax of 24%). 2nd Quarter (After Federal income tax of 24%). 3rd Quarter (After Federal income tax of 24%). 4th Quarter (After Federal income tax of 24%).	78
Less provision for excess profits taxes	\$3.38

^{*}Including year end adjustments representing \$.22 per share.

A comparative summary of operating results for the last three years follows:

	1940	1939	1938
Net sales (including brokerage sales of subsidiary) Cost of sales (exclusive of depreciation)	\$30,464,677 23,339,894	\$24,114,815 19,172,531	\$18,705,290 15,295,294
Gross profit (exclusive of depreciation) Provision for depreciation (includes depletion of \$3,669 for	\$ 7,124,783	\$ 4,942,284	\$ 3,409,996
1939 and \$11,138 for 1940)	1,241,246	1,180,417	1,261,111
Gross profit from operations	\$ 5,883,537	\$ 3,761,867	\$ 2,148,885
bad debts)	2,361,345	1,690,557	1,748,504
Net profit from operations (exclusive of bad debts)	\$ 3,522,192	\$ 2,071,310	\$ 400,381
Other charges: Provision for bad debts, less recoveries. Loss on capital assets retired	\$ 4,912 42,706	\$ 18,923 107,990	\$ 11,891 56,879
	\$ 47,618	\$ 126,913	\$ 68,770
	\$ 3,474,574	\$ 1,944,397	\$ 331,611
Other income: Purchase discounts, interest earned, etc	\$ 160,648	\$ 163,150	\$ 144,700
Net profit before interest and Federal income taxes	\$ 3,635,222	\$ 2,107,547	\$ 476,311
Interest charges, etc.: Interest on first mortgage bonds (retired in 1940) Interest on debentures (retired in 1940) Interest on term bank loans Amortization of debt discount and expense Other interest, etc	\$ 69,410 57,512 66,552 15,542 11,524	\$ 156,664 160,645 — 38,124 10,171	\$ 163,687 184,893 — 39,018 25,043
	\$ 220,540	\$ 365,604	\$ 412,641
Net profit before Federal income taxes	\$ 3,414,682	\$ 1,741,943	\$ 63,670
Provision for: Federal income taxes Federal excess profits taxes	\$ 773,000 414,000	\$ 293,043	\$ 34,200
	\$ 1,187,000	\$ 293,043	\$ 34,200
Net profit carried to earned surplus	\$ 2,227,682	\$ 1,448,900	\$ 29,470

Depreciation was provided at the same rates used in the preceding year which resulted in a depreciation charge against operations of \$1,230,107. This was the gross amount added to the depreciation reserve account. The accumulated depreciation on those assets which were sold or retired during the year, amounting to \$134,950, was deducted from the depreciation reserve. Thus, there was a net increase in the depreciation reserve during the year of \$1,095,157, which was the difference between the provision of \$1,230,107 and the charges of \$134,950.



Loss on fixed assets sold or retired during the year amounted to \$42,706 and was charged against the year's profit and loss account.

Because of the uniformly high rate of operations throughout the year, repairs and maintenance of buildings, machinery and equipment, was higher than in former years. The entire amount of \$1,261,214 expended for repairs and maintenance was absorbed in operating costs.

Federal income and excess profits taxes amounted to \$1,187,000, or \$1.52 per share of outstanding stock. Of this amount \$414,000 represents the excess profits tax. For the determination of

this tax the parent company used the invested capital method, while in the case of the subsidiary, Pioneer Paper Stock Company, the four year average earning basis was the more advantageous.

The diagram and table indicate the relative proportion of net sales accounted for by profit, labor, selling, administrative and general expense, raw materials, factory supplies and expense, depreciation, interest, and taxes. The net profit for 1940 represents a return of 11.41% on the average capital (capital stock and surplus) employed during the year.

	194	0	193	9
Net sales	\$30,464,677	100.00%	\$24,114,815	100.00%
Raw materials	\$12,738,754	41.82%	\$ 9,944,774	41.24%
Factory supplies and expense	5,142,002	16.88	4,510,314	18.70
Labor	4,978,805	16.34	4,274,026	17.73
*Selling, administrative and general expense Provision for depreciation (includes depletion of	2,155,903	7.08	1,644,532	6.82
\$3,669 for 1939 and \$11,138 for 1940)	1,241,246	4.07	1,180,417	4.89
Provision for local and Federal taxes	1,775,287	5.83	784,372	3.25
Interest charges	204,998	.67	327,480	1.36
Net profit	2,227,682	7.31	1,448,900	6.01

^{*}Includes other income and charges.

WORKING CAPITAL. The following table sets out in comparative form the changes in working capital:

	Decem	aber 31	
	1940	1939	Increase or Decrease (d)
URRENT ASSETS:			
Cash in banks and on hand	\$2,456,532	\$1,044,918	\$1,411,614
Accounts and notes receivable from customers, less reserves	1,757,532	1,676,406	81,126
Notes receivable (secured by property sold)	125,000	125,000	
Sundry receivables	86,474	102,046	15,572(d)
Inventories	3,410,931	3,644,189	233,258(d)
Total current assets	\$7,836,469	\$6,592,559	\$1,243,910
URRENT LIABILITIES:			
Accounts payable—trade creditors	\$ 345,977	\$ 544,006	\$ 198,029(d)
Accounts payable—construction contracts	_	275,999	275,999(d)
Accrued interest	3,989	18,193	14,204(d)
Accrued salaries, wages and profit-sharing provision	465,411	167,370	298,041
Accrued taxes	338,430	302,636	35,794
Provision for Federal income taxes	1,186,977	296,000	890,977
Sundry accruals	25,000	28,779	3,779(d)
Sinking fund payments due within year		250,000	250,000(d)
Total current liabilities	\$2,365,784	\$1,882,983	\$ 482,801
Net working capital	\$5,470,685	\$4,709,576	\$ 761,109
Current ratio	3.31 to 1	3.50 to 1	

There was an increase in current assets of \$1,243,910. Cash increased by \$1,411,614. Receivables were almost the same as at the end of 1939 and represented approximately twenty-five days of shipments; credit losses for the year were \$4,912, or less than two hundredths of one per cent of the year's volume of sales. Inventories were lower by \$233,258, because your Company was carrying a large inventory of pulp to insure supply at the end of 1939 while it now has domestic sources of supply of bleached and unbleached sulphite pulp. It obtains its unbleached sulphate pulp from its own Florida pulp mill.

Among the current liabilities, accounts payable were lower by \$198,029. There was a reduction of \$275,999 in contracts payable for construction in progress. The smaller amount of outstanding long term debt, the lower interest rates, and the fact that the interest is paid monthly on the present bank term credit, account for the reduction in accrued interest. Accrued salaries, wages and profit-sharing provision shows an increase of \$298,041. The large increase of \$890,977 in reserve for Federal income and excess profits taxes is due to the higher taxable profit earned, the higher rate of Federal income taxes, and the inclusion of a reserve for excess profits taxes. The elimination of \$250,000 in long term debt under current liabilities reflects the prepayment of all long term debt due within the next twelve months.



The Fort Worth, Texas, location of the new Container Corporation plant at 2615 West 7th Street. Both folding cartons and corrugated containers are fabricated here.



Looking down the center aisle of the Corrugating Department on the second floor. Abundant light streams in through the large windows.

An application of funds statement follows which sets out the sources of funds and their disposition:

Funds provided from the following sources:				
Profit for year			\$2,227,682	
Provision for depreciation Provision for depletion Amortization of debt discount and expense—		\$1,230,108		
Balance January 1, 1940	\$157,485 141,943	15,542		
Loss on property sold or retired		42,706	1,299,494	\$3,527,176
Proceeds from term bank loan Net decrease in other receivables and investments— Advances under contracts—Frederick G. Becker, Inc.—				5,000,000
Funds returned during year		\$ 849,424		
Less advances made during year		414,321	\$ 435,103	
Sundry other receivables and investments			324,378	759,481
Sale of property				10,847
				\$9,297,504
Which were expended or accounted for as follows:				
Dividends paid				\$1,171,879
Retirement of Company's own bonds and debentures—				
Purchased			\$ 105,000	
Called for redemption			5,271,000	
Less amount included in current liabilities			\$ 5,376,000	
Dec. 31, 1939			250,000	5,126,000
Premium paid on retirement of bonds and debentures				65,220
Payments on term bank loans				900,000
Additions to plant and equipment				1,266,787
Net increase in working capital Net increase in deferred charges other than debt				761,109
discount and expense				6,509
				\$9,297,504
				*3,-31,3-4

The principal sources of incoming funds were the profit for the year, the provision for depreciation and the collection of the very substantial amount of \$849,424 in cash from Frederick G. Becker, Inc. formerly carried under other assets; this fund was originally not to be repaid to the Company until the end of 1942, but in accordance with a change in the agreement, all these accumulated cash funds were returned to the Company in December, 1940. A new four year agreement was entered into with Frederick G. Becker, Inc. which, among other things, calls for the payment by the Company of one dollar a ton of paper mill production; these funds are to be held by Frederick G. Becker, Inc. for the account of your

Company and may be used for the payment of the purchase price or lease of any paper mills which your Company might want to acquire in the future; if the monies are not used for that purpose they are to be returned at the end of a four year period to the Corporation, less a small administrative charge. Furthermore, the contract permits a cancellation of the agreement upon six months' notice, in which case any accumulated funds will be returned to your Company. It is our understanding that similar contracts have been entered into by Frederick G. Becker, Inc. with twenty or more other paperboard manufacturers. The legality of the former as well as of the renewed contract has been carefully reviewed by many well known legal firms, and before the renewed contract was entered into, a full discussion and complete disclosure of the contract and its purposes was had with the Department of Justice; changes and modifications in the form of the contract were made in accordance with the suggestion of the Department.

The main uses of incoming funds were the following:

- 1. Dividends of \$1,171,879 were paid during the year and represent disbursements of \$1.50 a share.
- 2. Funded debt was reduced by \$1,276,000 (inclusive of that part of the funded debt represented by the amount of \$250,000 in last year's statement which was due within a twelve month period and therefore shown as a current liability).
 - 3. Working capital was increased by \$761,109.
- 4. Capital expenditures of \$1,266,787 (including \$321,175 for equipping new plants on leased locations) were made for additions and improvements to land, buildings, machinery and equipment.

On pages 20 to 23 a twelve year comparison of balance sheets, summary of profit and loss, record of dividends, and funded debt interest, is submitted. These tabulations give a detailed reflection of the progress of your Company over a long period.

FUNDED OBLIGATIONS. On March 2nd your Company signed agreements with seven participating banks for the extension of a five-year bank term credit of \$5,000,000 at interest rates of 1½% for the first year's maturities, 1¾% for the second, 2% for the third, 2¼% for the fourth, and 2½% for the fifth year. This credit was taken up on May 24th and the proceeds were applied to the call and retirement of the \$2,524,000 of outstanding 6% bonds and the \$2,747,000 of 5% debentures. The unamortized amount of debt discount and expense of \$141,943 and the premium on bonds and debentures called of \$65,220 were charged against earned surplus. Under the terms of the bank term credit agreement the Company agreed to pay off \$50,000 per month for sixty months and any unpaid part of the \$2,000,000 balance at the end of the fifth year. In accordance with this provision your Company has made six monthly payments of \$50,000 up to December 31, 1940. In addition, however, your Company prepaid \$600,000, or the twelve monthly payments due during 1941.

After very thorough consideration and study, your Board of Directors now recommends to the shareholders and asks their approval at the coming Annual Meeting of a \$5,000,000

preferred stock issue bearing a dividend rate of $4\frac{1}{2}\%$ or less. The proceeds of this issue would be used to retire, without premium, as permitted by the bank term credit agreement, the balance of the bank credit amounting to \$3,950,000 as of March 15, 1941, and to augment working capital. It is the judgment of your Directors and Officers that the best interests of the shareholders will be served, and the greatest protection for the Company's future provided, by securing permanent partnership money through the medium of a non-sinking fund, low dividend rate preferred stock.

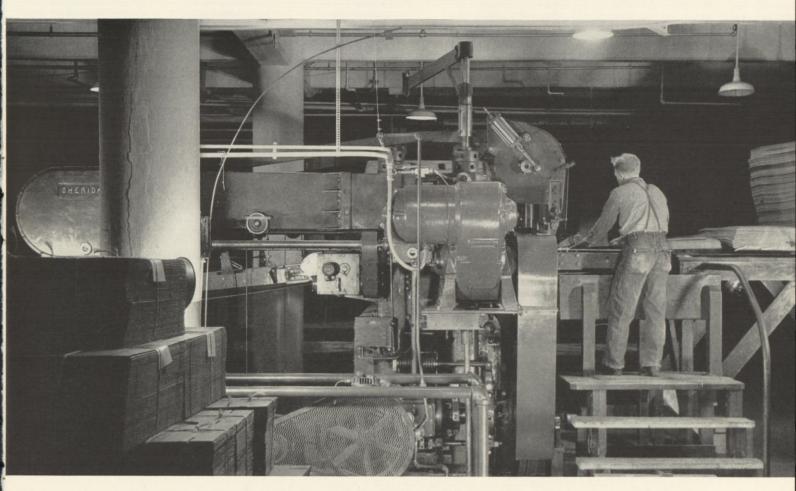
Under the present existing Excess Profits Tax Law, the broader base of invested capital provided by the proposed preferred stock issue will, in profit years subject to excess profits taxes, produce a substantial saving contrasted with the narrower and progressively narrowing (as payments are made) invested capital base of the bank term credit. This saving would result in spite of the fact that interest on the bank term credit is a deductible expense for normal tax determination while the preferred stock dividend is non-deductible.

It is our unanimous feeling that if business conditions should permit of larger volume of business for your Corporation, additional working capital and the lack of necessity of cutting into present working capital in order to make payments on the bank term credit, will be highly advantageous; if on the other hand business conditions should become unsatisfactory, the additional security of permanent partnership capital will be most desirable as an added and valuable protection.

During the last depression lasting in acute form from 1929 until 1933, your Company paid out in cash for sinking fund purposes and interest charges on bonds and debentures and for sinking funds and dividends on the then outstanding preferred stock, an average of approximately \$860,000 per year. Under the presently existing bank term credit the principal payments would amount to \$600,000 per year, plus average interest of more than \$70,000 a year for the next four years. On the other hand the preferred dividend payable under the newly proposed refinancing would amount to \$225,000 or less per year, and without any further sinking fund requirements. The accomplishment of the proposed program would make the difference between the dividend requirement on the new preferred stock and the combined interest and sinking fund charges on the existing bank term credit available for corporate purposes including dividend payments on common stock.

CAPITALIZATION. There was no change during the year in the 781,253 shares of outstanding capital stock. These shares were owned by almost 8,000 shareholders. The largest shareholder owns less than 8% of the total outstanding; over 40% of the outstanding shares are owned by holders of one to two hundred shares each.

SURPLUS. The year's net profit of \$2,227,682 was credited to earned surplus. The dividend payments of \$1,171,879 were charged against earned surplus. Unamortized debt discount and expense of \$141,943 remaining at the time of redemption of the Company's first mortgage bonds and debentures as well as the premiums paid of \$65,220 was also charged against earned surplus. The net addition to earned surplus for 1940 amounted to \$848,639.



New Sheridan press set up this year at the Ogden plant. It die-cuts and scores specialty products, such as beer cases, at the rate of 1800 impressions per hour.

OPERATIONS

The following table indicates the number of tons of paperboard and pulp produced in your Company's mills as well as the number of tons of finished product shipped by mills and box factories:

	Tons Produced in Mills	Tons Finished Product Shipped
1932	252,464	281,423
1933	299,346	320,961
1934	300,424	312,830
1935	373,399	382,381
1936	428,627	441,086
1937	391,270	390,496
1938	346,616	361,820
1939	432,848	462,385
1940	461,815	504,507

A substantial amount of paperboard tonnage was fabricated and shipped by your Company's box factories which was not produced by your Company's mills but purchased from outside sources. This accounts for the larger number of tons of finished product shipped than produced in your Company's own mills.

The Fernandina pulp mill produced 58,550 tons of unbleached sulphate pulp. Your Company's own consumption of this item was approximately 15,000 tons; the difference between production and consumption was available for sale to outside users.

The mills and box factories of your Company were very adequately maintained through the expenditure of \$1,261,214 for repairs and maintenance; all of this was absorbed in operating costs.

The main capital expenditures made during the year were as follows:

- 1. Reserve timber land for the pulp wood requirements of the Fernandina mill were purchased in the amount of \$33,580. Practically all of your Company's consumption of pulp wood was purchased on the open market, and depletion of its own stand of timber amounted to only \$11,138.
- 2. New boilers were installed at the Coated Board plant and the Ogden Avenue factory, both in Chicago, and the new boiler installation at Circleville, Ohio, begun in 1939 was completed in 1940. The total spent for these boilers during 1940 amounted to \$324,657.
- 3. The Rock Island and Fort Worth box factories accounted for \$321,175 of capital expenditures for installation of machinery and leasehold improvements.
- 4. A large amount of new equipment of the most modern and up to date type was purchased and installed in the various box factories of the Company at an expenditure of more than \$300,000.
- 5. Your Company's fleet of trucks, tractors, and trailers, which now numbers approximately 287 units, was added to by new purchases and improved by the replacement of older and, in some cases worn out equipment.

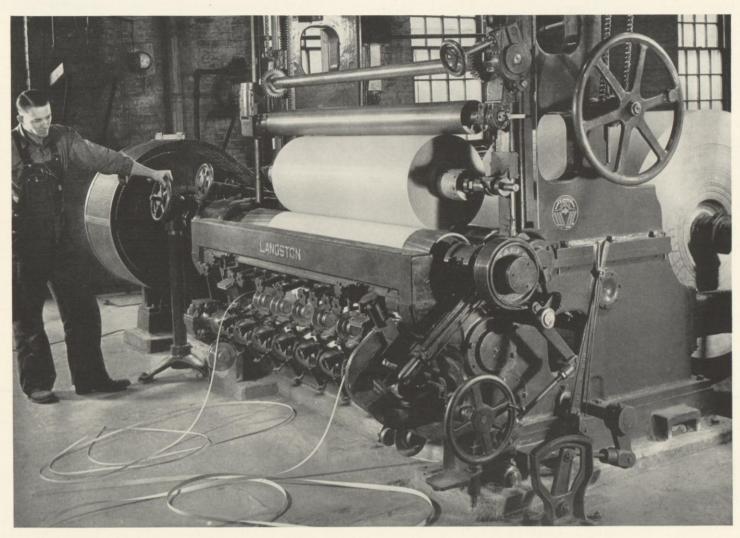
As a result of the expenditure of \$1,266,787 for capital additions and of \$1,261,214 for repairs and maintenance of present equipment, your Company's properties continue, generally speaking, in first class condition, capable of producing finished products at very competitive costs.

It should be pointed out, however, that in order to maintain low costs, high quality, and good service, it is essential to continue the policy of properly maintaining properties, continually replacing older equipment, and adding improved and better equipment as it is obtainable. Accordingly, it will continue to be your Company's policy to disburse requisite funds in order to maintain and improve mechanical equipment wherever possible.

SALES

Consolidated net sales for 1940 amounted to \$30,464,677. This represents an increase in dollar value of 26% over the previous year. The increase in unit volume was 9%. Selling prices during the first nine months of 1939 were on an unsatisfactorily low basis. Throughout 1940 the average selling price levels were better than in 1939 although distinctly lower than during the last quarter of 1939. At the end of 1940 price levels were spotty in that they reflected satisfactory levels in some products, fair in others, and unsatisfactorily low levels on some items.

Much time and effort was devoted to laboratory and research problems and many new and improved products were designed, developed and tested. The Art Department had a



Special slitter and rewinder for the coating mill at Wabash.

busy year in its work of creating and suggesting more artistic and attractive designs for all types of containers for all kinds of customers. The Sales Promotion Department is ceaselessly working with the above mentioned divisions in the introduction of structurally and artistically better designed packages and in the development of new markets for present products and of completely new products for new fields.

AFFILIATED AND SUBSIDIARY COMPANIES

The Sefton Fibre Can Company of St. Louis, Missouri, which is engaged in the manufacture of paper cans partly with paper and partly with tin tops and bottoms, earned a profit of \$48,493 after all charges. It improved and added to its machinery and equipment. It paid out dividends of 5% on its preferred stock; it reduced its outstanding preferred stock by \$15,000 of par value. Even after these expenditures, there was a gain in working capital of \$20,207. Its earnings and balance sheet are not included in the accompanying financial statements of the parent company and subsidiaries. It is not a wholly owned subsidiary.

The Pioneer Paper Stock Company, whose financial statements are included in the accompanying consolidated balance sheet and profit and loss statement of the parent company and subsidiaries, had a very active year resulting in a satisfactory profit. Your Corporation owns all the outstanding capital stock of this company.

EMPLOYEE RELATIONS

At the present time your Company is employing approximately 4700 men and women including factory, office, and field workers (salesmen). Of this group approximately 81% are men and 19% women; the average age is thirty-five years.

As the Company has grown older and become more seasoned, your Board of Directors and Management, broadly in harmony with the spirit of modern times, have felt that greater recognition should and now could be given to the important matter of employee relations. Over the past few years, therefore, several steps have been taken all with the aim in mind of building an outstanding organization capable of producing outstanding results. All employees are constantly concerned with their present working conditions, their future opportunities, and their eventual security in old age. It was deemed advisable by your Directors to have an outside impartial survey made of all of our labor and employee relations and to have submitted as an integral part thereof a retirement annuity plan for all employees. After considerable thought, Industrial Relations Counselors, Inc., of New York City, were chosen for the purpose of making this survey. The retirement annuity plan which is being submitted to the shareholders at the Annual Meeting for approval was one of the results of this survey.

In essence the plan provides for employee and Company contributions for future service beginning January 1, 1941; it also provides for Company recognition of continuous past service; it will be administered by The Equitable Life Assurance Society of the United States, New York, N. Y. After the retirement annuity plan had received the approval of your Board of Directors it was submitted to every eligible employee, and 93% of these employees indicated their desire to participate in it by accepting the plan. Your Board of Directors recommends your approval of the retirement annuity plan as submitted and as fully described in the proxy statement. The plan should reduce labor turnover; it should be helpful in attracting to your Company an intelligent, experienced, and steady type of employee; it should increase the feeling of security and therefore the efficiency and interest of the men and women working for the Company. It is our considered judgment that the plan will inure to the benefit of the shareholders, the Company, and its employees.

For approximately ten years your Company has had a group life, accident, and sickness insurance plan in effect, the premiums of which are partly paid by the employees and partly by the Company. A year ago hospitalization and surgical care were included for all those insured under the group insurance plan at small additional expense to the Company and without any additional expense to the employees. Throughout many of the factories employee's credit unions have been established and have satisfactorily filled a need in case of emergencies without cost to the Company. Much study has been given and continuous improvements are being made in the fields of safety work, employee hygiene and first aid, medical examinations, and factory sanitation.

Your Company has among its nineteen plants some that have labor unions and some that are non-union. Rates of pay for labor at the various plants and salaries throughout the offices compare favorably with average competitive conditions throughout the industry, and in most cases are more liberal. A majority but not all of the Company's employees work under some form of additional compensation plan. Most of the factory employees work either on piece rates or have other incentive plans whereby better than average performance is compensated for by wage bonuses. All salesmen and sales managers, as well as most of the factory and office managers, have in addition to their basic salaries, special incentive, bonus, or profit sharing plans to reward them in case of more than satisfactory results. Certain employees whose duties and responsibilities are of a general character which cannot be measured by results of individual operation but are reflected more by the results of the Company as a whole, participate under the management profit sharing plan. This plan was submitted to the shareholders at the Annual Meeting last year and received their approval. The plan is as follows:

"I. DETERMINATION OF ADDITIONAL COMPENSATION.

The amount available for additional compensation under the Profit Sharing Plan shall be determined as follows:

Commencing with the fiscal year ending December 31, 1940, and for each fiscal year thereafter, the Company's consolidated net profit for the fiscal year before deduction of Federal income and excess profits taxes, shall be determined in the customary manner by the independent auditors employed by the Company. From the profits so determined, there shall be deducted an amount equivalent to 6% of the aggregate of the Capital Stock and Surplus accounts as at the beginning of the year for which the additional compensation is to be calculated. An amount equal to 15% of the balance so obtained shall be recorded as of the last day of each such fiscal year, as a liability for additional compensation, and such amount shall be charged against the consolidated net profit computed as hereinabove and shall be the amount available for additional compensation, provided, however, that no such additional compensation shall be paid and no liability for such additional compensation shall be created or recorded as to any fiscal year in which no dividend has been paid on the capital stock of the Company. The final consolidated net profit for each fiscal year shall be shown in the President's annual report to stockholders after the deduction of the liability, if any, for said additional compensation.

2. PERSONS ELIGIBLE TO PARTICIPATE IN PLAN.

The persons eligible to participate in the Profit Sharing Plan shall consist of that class of officers and employees who perform functions of a general executive, financial, administrative and planning nature in connection with the operations of the Company as a whole and of such a general character in relation to the operations of the Company that their effectiveness can be measured only by the extent of the Company's annual profits, such as the officers of the Company, members of the Treasurer's and Comptroller's staff, members of the Legal, Advertising, Art, Sales Promotion, Traffic, Purchasing and Insurance Departments, and others.

3. METHOD OF MAKING DISTRIBUTIONS.

Prior to the end of each fiscal year, the directors of the Company who are not officers or employees and who are not eligible to participate in the Plan shall, in the exercise of

their sole discretion, select from the foregoing class, the persons who shall be entitled to receive additional compensation for such fiscal year, and shall apportion and divide the funds available for additional compensation, as above determined, among the persons so selected and in such varying percentages, or otherwise, as such directors shall determine. Payment of such additional compensation shall be made within three months after the end of the fiscal year."

Prior to the close of 1940 your Board of Directors established the individual percentages of participation for each of the 44 participants. On February 6, 1941, the Certified Public Accountants, in accordance with the provisions of the plan, advised the amount payable for the year 1940; the liability therefor was set up and appears among the current liabilities of the Corporation under accrued salaries, wages and profit-sharing provision.

The Company's contribution to the group insurance and retirement annuity plans, and of course the Company's payments under all wage incentive and profit sharing plans, are deductible for income tax purposes, so that in any year of fair profits under present tax laws, tax savings reduce the net cost to the Company of its contributions to insurance plans and payments to incentive plans by 50% or more.

On December 1, 1940, Mr. L. A. Combs, Assistant Secretary of the Corporation and formerly a member of the Legal Department, was appointed Director of Industrial Relations. His duties are to co-ordinate the labor policies of the Corporation throughout all of its plants; as a staff member of the Head Office he reports directly to the President and will counsel and advise with those officers and managers in charge of mills and factories.

It is continuing to be your Company's policy to promote men wherever possible from within the ranks. It has also been corporate policy to take on each year a number of young men, largely graduates of technical engineering schools and colleges, shortly after their graduation. These are then put through an intensive training course throughout the factories, laboratories, and other departments of the Company. The young men are very carefully selected from some of the best technical and other educational institutions of the country on the basis of character, intelligence, personality, and ambition, and they must not be related to any present employee of the Company or to those who are suppliers or customers of the Company. Obviously, if an employee who is related to any of these three groups does well, the rest of the organization is apt to ascribe it to favoritism; if on the other hand he does badly, it is embarrassing and harmful to your Company's interest to have to discharge some one with whose relatives it is desirable to preserve the most cordial relations. This policy has been in effect for eight years or more and we feel it has proven to be a wise one in this particular institution.

Your Company has followed the policy for some time of giving every employee who has been with the Company for a certain length of time an annual vacation with pay. In connection with those men who either have volunteered or were drafted for military service, the Company has adopted the policy of paying men, without dependents, for thirty days the difference if any between the pay they were receiving from the Company and what they will receive for military service; in the case of men with dependents, for ninety days; in either case the men leaving for military service will be offered re-employment upon the

completion of their service if at all possible; also their group insurance, retirement annuity, and other benefits, will not be lost because of military service.

ORGANIZATION

The organization as a whole, favored with very active business volume but confronted with the many problems that uncertain and difficult world and business conditions produced, was successful in helping to bring about the best earnings results for any year in the Company's history. For that performance the Board of Directors expresses its appreciation.

Selling and administrative expense increased compared with 1939. On the other hand, it was noted that sales volume and profits increased sharply. Expressed in terms of percentages to sales, selling and administrative expense increased from 7.01% in 1939 to 7.75% in 1940; net profit increased from 6.01% in 1939 to 7.31% in 1940.

The increased selling and administrative expense can in a large part be attributed to the incentive plans and the management profit sharing plan now in effect. Some of these are based on volume and some on profit, and should the volume or profit decline in future years there will be an automatic reduction in selling and administrative expense.

No important organization changes were made during the year except as mentioned before in the appointment of a Director of Industrial Relations.

PAPERBOARD AND CONTAINER INDUSTRY CONDITIONS

Volume for the full year of 1940 established new peaks in both the paperboard and container industries. The twenty-six container manufacturers who, including your Company, were indicted in August, 1939, for alleged violation through association activities of the Sherman Anti-Trust Act, concluded the litigation by consent decree entered in April of 1940. The old association was discontinued and a new association called the Fibre Box Association was formed. This association is conducting its statistical, freight classification, and many other activities in strict conformance with the provisions of the Consent Decree.

At the present it appears that the paperboard and container industries will continue to enjoy a good volume of business, subject, however, to such changes as may be brought about by international affairs and domestic business conditions. Costs throughout these industries are being adversely affected by higher taxes and in some instances higher labor and raw material costs.

On page 26 a tabulation shows the fourteen year trend of selling prices of some of the principal commodities sold by your Company. This indicates, among other things, the distinct progress made by the whole industry in making its products available to the consumer at continuously lower prices; and this in spite of the upward trend of costs of labor and taxes. It might be commented that this performance in itself probably accounts to a large degree for the impressive broadening of the use of paperboard and paperboard packages as reflected in the continuous growth of this important though young industry.

Submitted on behalf of the Board of Directors.

Respectfully,

Value . Laepetz.

CONTAINER CORPORATION OF AMERICA AND

CONSOLIDATED YEAR-END BALANCE SHEETS FOR TWELVE YEAR

ASSETS

	1940	1939	1938	1937	1936
Cash on hand and in banks	\$ 2,456,532 1,969,006 3,410,931	\$ 1,044,918 1,903,452 3,644,189	\$ 1,031,969 1,474,683 2,859,950	\$ 1,650,344 1,133,116 3,143,426	\$ 1,147,362 1,625,631 2,900,739
Total current assets	\$ 7,836,469	\$ 6,592,559	\$ 5,366,602	\$ 5,926,886	\$ 5,673,732
Other receivables and investments Treasury stock at cost	802,253	1,561,736	1,487,517	1,848,555	149,754
Land Buildings, machinery and equipment Reserve for depreciation Deferred charges	3,485,447 25,096,655 10,992,835 187,062	3,463,005 24,051,950 9,897,678 338,039	3,450,285 23,452,635 8,922,908 3 ⁸ 7,994	3,192,264 22,720,891 7,763,149 385,583	3,237,069 21,872,009 7,738,397 438,647
Good will and patents Organization expense		_	<u> </u>	_	_ I
	\$26,415,052	\$26,109,612	\$25,222,126	\$26,311,031	\$23,632,815
LIABILITIES					
Accounts payable	\$ 345,977 832,830 1,186,977	\$ 820,005 516,978 296,000 250,000	\$ 446,525 392,440 34,200 128,000	\$ 363,451 434,276 528,000 115,000	\$ 1,305,003 415,636 255,000 154,000
Total current liabilities	\$ 2,365,784	\$ 1,882,983	\$ 1,001,165	\$ 1,440,727	\$ 2,129,639
Funded debt	4,100,000	5,126,000	5,945,500	6,472,000	6,980,500
Provision for prior years Federal income taxes					
in dispute	=	=	500,000	449,114	434,114
Capital stock	15,625,060	15,625,060	15,625,060	15,625,060	13,070,800
Capital surplus	671,494 3,652,714	671,494 2,804,075	671,494 1,478,907	383,139 1,940,991	1,017,762
	\$26,415,052	\$26,109,612	\$25,222,126	\$26,311,031	\$23,632,815
Working capital	\$ 5,470,685	\$ 4,709,576	\$ 4,365,437	\$ 4,486,159	\$ 3,544,093
Current ratio	3.31 to 1	3.50 to 1	5.36 to 1	4.11 to 1	2.66 to 1

SUBSIDIARY COMPANIES

PERIOD ENDED DECEMBER 31, 1940

_				the state of the s	THE RESERVE THE PERSON NAMED IN COLUMN 2 IS NOT THE OWNER.		
	1935	1934	1933	1932	1931	1930	1929
	\$ 1,131,576	\$ 820,912	\$ 439,616	\$ 1,027,685	\$ 876,050	\$ 222,144	\$ 491,956
	1,155,580	1,146,099	1,161,913 2,622,308	804,972	932,857 1,832,466	1,149,294 2,658,541	1,238,223 2,083,884
	2,896,060	2,489,422		1,257,032			
	\$ 5,183,216	\$ 4,456,433	\$ 4,223,837	\$ 3,089,689	\$ 3,641,373	\$ 4,029,979	\$ 3,814,063
	90,563	136,840	195,079	40,475	92,844	172,862	156,599
	90,505	93,750	93,750	93,750	33,750	480,451	- 130,399
	3,237,069	3,219,640	3,219,640	3,251,857	3,321,932	3,330,544	2,781,957
	21,143,364	20,172,812	18,795,010	19,734,390	20,059,310	20,454,670	18,474,177
	6,760,214	5,789,049	5,084,545	4,949,959	4,205,822	3,579,910	2,786,322
	433,644	487,155	622,916	591,908	715,645	844,018	863,546
	I	I	I	I	I	I 40.795	40 705
						49,735	49,735
	\$23,327,643	\$22,777,582	\$22,065,688	\$21,852,111	\$23,659,033	\$25,782,350	\$23,353,755
	e ==0 ==0	¢ 600 a=6	¢ 00= 10=	\$ 340,754	\$ 000.005	\$ 554,000	\$ 416,374
	\$ 758,558 329,066	\$ 988,356 304,602	\$ 985,431 327,794	\$ 340,754 279,899	\$ 300,907	\$ 574,222 345,397	\$ 416,374 258,945
	217,500	195,000	3-7,794	2/9,099	391,994	343,397	85,300
	250,000	201,500	14,000	14,000	20,500	111,500	_
	\$ 1,555,124	\$ 1,689,458	\$ 1,327,225	\$ 634,653	\$ 713,401	\$ 1,031,119	\$ 760,619
	* -,555,4	* 1,003,430	* -,3-/,3	* -34,-33	* 7-3,4	* -,-,-,3	. /,3
	7,736,360	7,783,500	8,239,000	8,666,000	8,949,125	9,523,625	9,488,500
	7,73-,3	171-373	-,-33,	-,,	-,515,5	3,3 3, 3	3/1 /3
	_	_					
	417,614	81,622	86,122	86,122	101,622	81,622	81,622
	13,070,800	-	_	_	_		_
	_	1,206,600	1,575,300	1,832,200	2,035,900	2,070,000	1,909,100
	=	7,471,100	7,471,100	7,471,100	7,471,100	7,928,560	5,483,500
	Ξ	7,471,100 2,890,945	7,471,100 2,890,945	7,471,100 2,890,945	7,471,100 2,890,945		
		7,471,100 2,890,945 1,922,499	7,471,100 2,890,945 1,658,285	7,471,100 2,890,945 1,460,811	7,471,100 2,890,945 1,460,811	7,928,560 4,424,483	5,483,500 4,424,483
	547,745	7,471,100 2,890,945 1,922,499 268,142	7,471,100 2,890,945 1,658,285 1,182,289	7,471,100 2,890,945 1,460,811 1,189,720	7,471,100 2,890,945 1,460,811 36,129	7,928,560 4,424,483 ————————————————————————————————————	5,483,500 4,424,483 — 1,205,931
	\$23,327,643	7,471,100 2,890,945 1,922,499 268,142 \$22,777,582	7,471,100 2,890,945 1,658,285 1,182,289 \$22,065,688	7,471,100 2,890,945 1,460,811 1,189,720 \$21,852,111	7,471,100 2,890,945 1,460,811 36,129 \$23,659,033	7,928,560 4,424,483 722,941 \$25,782,350	5,483,500 4,424,483 — 1,205,931 \$23,353,755
		7,471,100 2,890,945 1,922,499 268,142	7,471,100 2,890,945 1,658,285 1,182,289	7,471,100 2,890,945 1,460,811 1,189,720	7,471,100 2,890,945 1,460,811 36,129	7,928,560 4,424,483 ————————————————————————————————————	5,483,500 4,424,483 — 1,205,931
	\$23,327,643	7,471,100 2,890,945 1,922,499 268,142 \$22,777,582	7,471,100 2,890,945 1,658,285 1,182,289 \$22,065,688	7,471,100 2,890,945 1,460,811 1,189,720 \$21,852,111	7,471,100 2,890,945 1,460,811 36,129 \$23,659,033	7,928,560 4,424,483 722,941 \$25,782,350	5,483,500 4,424,483 1,205,931 \$23,353,755

CONTAINER CORPORATION OF AMERICA AND

CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR TWELVE

1940	1939	1938	1937	1936
\$30,464,677	\$24,114,815	\$18,705,290	\$25,268,327	\$22,525,268
23,339,894	19,172,531	15,295,294	19,201,297	17,466,001
\$ 7,124,783	\$ 4,942,284	\$ 3,409,996	\$ 6,067,030	\$ 5,059,267
1,241,246	1,180,417	1,261,111	1,216,800	1,172,734
\$ 5,883,537	\$ 3,761,867	\$ 2,148,885	\$ 4,850,230	\$ 3,886,533
2,361,345	1,690,557	1,748,504	2,027,711	1,791,599
\$ 3,522,192	\$ 2,071,310	\$ 400,381	\$ 2,822,519	\$ 2,094,934
113,030	36,237	75,930	71,770	89,054
\$ 3,635,222	\$ 2,107,547	\$ 476,311	\$ 2,750,749	\$ 2,005,880
220,540	365,604	412,641	438,644	463,938
\$ 3,414,682	\$ 1,741,943	\$ 63,670	\$ 2,312,105	\$ 1,541,942
1,187,000 \$ 2,227,682	293,043 \$ 1,448,900	34,200 \$ 29,470	528,000 \$ 1,784,105	\$ 1,286,942
	\$30,464,677 23,339,894 \$7,124,783 1,241,246 \$5,883,537 2,361,345 \$3,522,192 113,030 \$3,635,222 220,540 \$3,414,682 1,187,000	\$30,464,677 \$24,114,815 23,339,894 19,172,531 \$7,124,783 \$4,942,284 1,241,246 1,180,417 \$5,883,537 \$3,761,867 2,361,345 1,690,557 \$3,522,192 \$2,071,310 113,030 36,237 \$3,635,222 \$2,107,547 220,540 365,604 \$3,414,682 \$1,741,943 1,187,000 293,043	\$30,464,677 \$24,114,815 \$18,705,290 23,339,894 19,172,531 15,295,294 \$ 7,124,783 \$ 4,942,284 \$ 3,409,996 1,241,246 1,180,417 1,261,111 \$ 5,883,537 \$ 3,761,867 \$ 2,148,885 2,361,345 1,690,557 1,748,504 \$ 3,522,192 \$ 2,071,310 \$ 400,381 113,030 36,237 75,930 \$ 3,635,222 \$ 2,107,547 \$ 476,311 220,540 365,604 412,641 \$ 3,414,682 \$ 1,741,943 \$ 63,670 1,187,000 293,043 34,200	\$30,464,677 \$24,114,815 \$18,705,290 \$25,268,327 23,339,894 19,172,531 15,295,294 19,201,297 \$7,124,783 \$4,942,284 \$3,409,996 \$6,067,030 1,241,246 1,180,417 1,261,111 1,216,800 \$5,883,537 \$3,761,867 \$2,148,885 \$4,850,230 2,361,345 1,690,557 1,748,504 2,027,711 \$3,522,192 \$2,071,310 \$400,381 \$2,822,519 113,030 36,237 75,930 71,770 \$3,635,222 \$2,107,547 \$476,311 \$2,750,749 220,540 365,604 412,641 438,644 \$3,414,682 \$1,741,943 \$63,670 \$2,312,105 1,187,000 293,043 34,200 528,000

Note-Italics denote red figures.

RECORD OF DIVIDENDS AND INTEREST ON FUNDED DEBT PAID FOR TWELVE YEAR PERIOD JANUARY 1, 1929

Dividends paid:					
Preferred stocks	_	_	_	_	
Common stocks	\$ 1,171,879	\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925
Total dividends	\$ 1,171,879	\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925
*Interest on funded debt paid	\$ 207,677	\$ 310,900	\$ 346,005	\$ 374,340	\$ 422,459
Total dividends and interest	\$ 1,379,556	\$ 506,213	\$ 580,381	\$ 1,235,216	\$ 1,239,384

^{*}On basis of cash payments made. This differs slightly from accrual basis used on profit and loss statement.

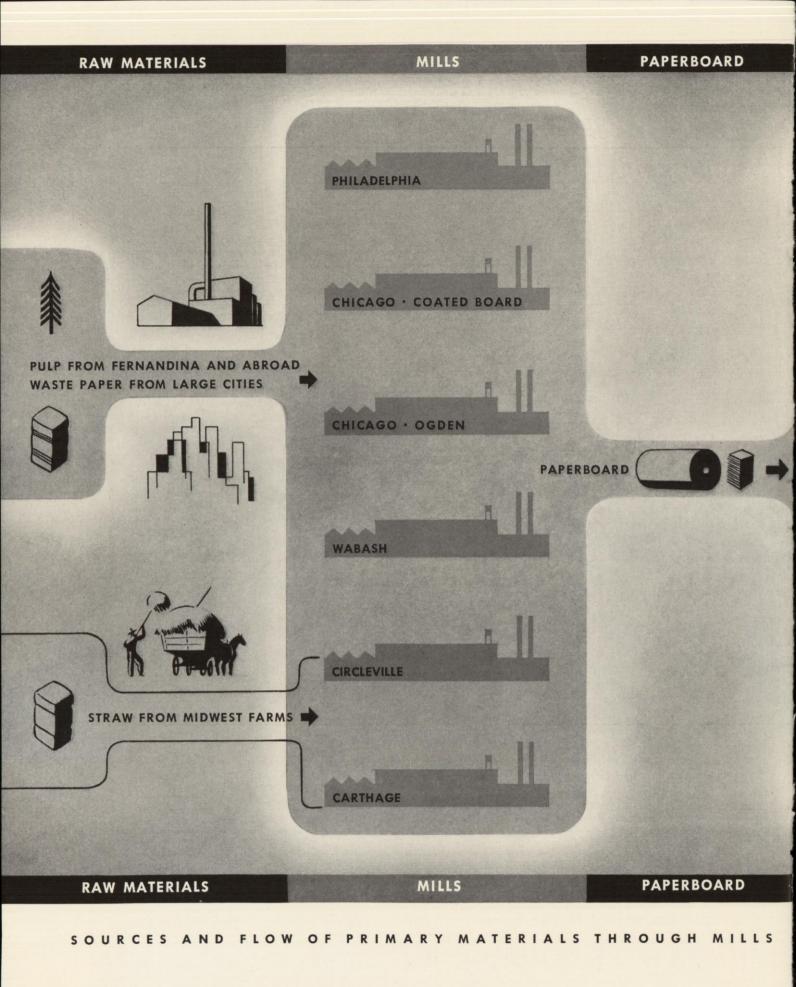
SUBSIDIARY COMPANIES

YEAR PERIOD ENDED DECEMBER 31, 1940

1935	1934	1933	1932	1931	1930	1929	Total
\$20,181,777	\$18,316,508	\$15,419,759	\$11,457,966	\$15,742,264	\$19,102,126	\$19,461,354	\$240,760,131
15,356,939	14,136,407	12,819,457	10,292,552	13,606,085	15,653,844	15,912,933	192,253,234
\$ 4,824,838	\$ 4,180,101	\$ 2,600,302	\$ 1,165,414	\$ 2,136,179	\$ 3,448,282	\$ 3,548,421	\$ 48,506,897
1,152,590	984,162	791,007	806,467	830,168	826,447	748,584	12,211,733
\$ 3,672,248	\$ 3,195,939	\$ 1,809,295	\$ 358,947	\$ 1,306,011	\$ 2,621,835	\$ 2,799,837	\$ 36,295,164
1,575,614	1,375,624	1,096,807	1.188.528	1,551,114	2.006.478	1,534,304	19,948,185
						-,554,504	19,940,103
\$ 2,096,634	\$ 1,820,315	\$ 712,488	\$ 829,581	\$ 245,103	\$ 615,357	\$ 1,265,533	\$ 16,346,979
143,609	21,278	55,468	14,897	139,176	127,750	182,597	278,644
\$ 1,953,025	\$ 1,799,037	\$ 657,020	\$ 844,478	\$ 105,927	\$ 743,107	\$ 1,448,130	\$ 16,625,623
497,516	491,326	516,099	535,885	580,886	623,174	588,172	5,734,425
\$ 1,455,509	\$ 1,307,711	\$ 140,921	\$ 1,380,363	\$ 686,813	\$ 119,933	\$ 859,958	\$ 10,891,198
217,500	195,000	_	_	_	14,766	85,540	2,810,049
\$ 1,238,009	\$ 1,112,711	\$ 140,921	\$ 1,380,363	\$ 686,813	\$ 105,167	\$ 774,418	\$ 8,081,149

TO DECEMBER 31, 1940

\$	\$ 422,310	\$ _	\$ _	\$ _	\$ 37,100	\$ 129,780	\$ 143,150	\$ 732,340
	_	_	_	_	114,403	421,555	339,597	4,154,924
9	\$ 422,310	\$ - 0010	\$ _	\$ _	\$ 151,503	\$ 551,335	\$ 482,747	\$ 4,887,264
5	\$ 438,871	\$ 438,170	\$ 458,685	\$ 478,270	\$ 509,901	\$ 529,549	\$ 523,250	\$ 5,038,077
9	\$ 861,181	\$ 438,170	\$ 458,685	\$ 478,270	\$ 661,404	\$ 1,080,884	\$ 1,005,997	\$ 9,925,341







CONTAINERS



SOLID FIBRE CONTAINERS



FOLDING CARTONS





FOOD PAILS



SET-UP BOXES



Automobile Accessories

Bakery Goods

Beer

Book Binders, Publishers, Printers

Boots and Shoes

Building Materials, Supplies and Fixtures

Canned Foods Caps and Closures

Caskets and Vaults

Cereal Products

China, Pottery and Glass Tableware

Clothina

Coffee, Tea, Cocoa and Spices

Confectionery and

Nuts

Chemicals and Naval Stores

Dairy Products

Electrical Appliances and Supplies

Explosives and Ammunition

Fruits and Vegetables **Furniture**

Glass

Glass Bottles

Hardware and Tools

Household Utilities

Linens and Domestics

Liquor and Wine

Luggage

Machines and Machine Parts Matches

Mattresses and Springs

Meat Packing

Musical Instruments Notions

Paint and Varnish

Paper Mill Products Petroleum Products

Pharmaceuticals.

Cosmetics and Druggist Prepa-

rations

Photographic

Apparatus and Supplies

Radios and Accessories

Refrigerators and Accessories

Rubber Goods

Sanitary Ware and Plumbers' Supplies

Soaps and Cleansers

Soft Drinks Spices

Sporting Goods

Stoves and Accessories

Sugar (Beet and Cane)

Textiles

Tobacco Products

Toys and Games Vegetable Oil

Products

Wholesale and Retail

Establishments

PRODUCTS FACTORIES

USES

COMMODITY PRICE TREND COMPARISON BY YEARS 1926-1940

Based on information furnished by Official Board Markets and National Paperboard Association—1926 equals 100

	Jute Liners	.009 Straw	Container Chip	Chip Sheets	Corrugated Containers	Sulphate Pulp
1926	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1927	107.2	100.0	105.9	108.6	104.4	90.2
1928	95.2	92.4	100.5	99.5	90.0	88.3
1929	83.2	90.9	90.1	90.0	81.6	81.0
1930	65.8	80.1	74.7	77.9	75.1	63.5
1931	54.3	58.2	62.6	64.8	61.9	49.9
1932	46.0	52.1	58.5	66.8	52.7	46.6
1933	67.5	63.7	83.5	87.3	64.5	48.5
1934	74.8	78.2	92.9	101.5	83.0	59.7
1935	66.8	78.2	78.4	88.0	76.7	56.6
1936	67.3	78.2	77.3	89.0	71.5	66.0
1937	80.1	81.4	92.6	106.6	79.2	103.4
1938	57.4	64.2	70.5	78.9	69.4	65.6
1939	58.6	61.4	75.5	86.9	66.0	54.5
1940	66.0	73.8	86.8	93.5	(Est.) 72.0	102.4



ARTHUR ANDERSEN & Co.

135 SOUTH LA SALLE STREET
CHICAGO

To the Stockholders of

Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and its subsidiaries as of December 31, 1940, and the summaries of consolidated profit and loss and surplus for the year ended that date. In connection therewith, we have examined or tested accounting records of the companies and other supporting evidence and have reviewed the system of internal control and the accounting procedures of the companies by methods and to the extent we deemed appropriate, but we did not make a detailed audit of the transactions.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus fairly present the financial position of Container Corporation of America and its subsidiaries at December 31, 1940, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles maintained by the companies on a basis consistent with that of the preceding year.

Chicago, Illinois,

February 6, 1941.

arthur andersento.

CONTAINER CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:		
		6
Cash in banks and on hand.	6 00	\$ 2,456,531.90
Accounts and notes receivable from customers	\$ 1,867,541.14	
Less—Reserve for doubtful receivables	110,008.96	1,757,532.18
Note receivable due in 1941		125,000.00
Sundry current receivables		86,473.82
Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of cost or market		3,410,930.76
Total current assets		\$ 7,836,468.66
O P		
OTHER RECEIVABLES AND INVESTMENTS:		
Notes receivable (secured by property sold), maturing \$125,000 semiannually from January 1, 1942 to July 1, 1943	\$ 500,000.00	
	,	
Deposit under lease with purchase option	152,730.14	
Other receivables and investments, at cost	149,523.53	802,253.67
PLANT AND EQUIPMENT—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus additions since at cost, less reserve for depreciation:		
Land	\$ 3,485,447.09	
Buildings \$ 7,486,521.77		
Machinery, equipment, etc		
Leasehold and leasehold improvements 4,111,360.29		
\$25,096,654.59		
Less—Reserve for depreciation 10,992,834.90	14,103,819.69	17,589,266.78
	14,103,019.09	17,509,200.70
Deferred Charges:		
Prepaid insurance	\$ 141,892.60	
Other prepaid expenses, etc	45,169.53	187,062.13
		,, ,
GOODWILL AND PATENTS—at nominal value		1.00
		\$26,415,052.24

AND SUBSIDIARY COMPANIES

DECEMBER 31, 1940

LIABILITIES

Current Liabilities:	
Accounts payable	\$ 345,976.73
Acrued liabilities—	
Salaries, wages and profit-sharing provision \$ 465,411.03	
Taxes, other than income taxes	
Other	832,830.60
Provision for Federal income taxes	1,186,976.62
Total current liabilities	\$ 2,365,783.95
TERM BANK LOAN maturing \$600,000 per year in equal monthly installments from January 15, 1942 to June 15, 1945, and \$2,000,000	
on June 15, 1945, with interest at rates varying from 13/4% to 21/2%	
per annum	4,100,000.00
Capital Stock and Surplus:	
Conital stack	
Capital stock—	
Authorized 1,000,000 shares of \$20 par value each	
Outstanding 781,253 shares	
Paid-in surplus (no change during year)	
Earned surplus, restricted under bank loan agreement to the extent of \$2,500,000 with respect to payment of dividends (see accom-	
panying summary)	19,949,268.29

\$26,415,052.24

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARY OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1940

NET SALES (including brokerage sales of subsidiary)		\$30,464,676.67
Cost of Sales (exclusive of depreciation)	\$23,339,894.48	
Provision for Depreciation (including \$11,138.38 of depletion) Gross profit from operations	1,241,245.50	\$ 5,883,536.69
Selling, Administrative and General Expenses Net profit from operations		\$ 3,522,192.13
Address: Purchase discounts, interest earned, etc Less— Loss on sales or retirements of plant and equipment. \$42,705.56	\$ 160,647.52	
Provision for doubtful receivables, less recoveries 4,912.44 Net profit before interest and Federal income taxes	47,618.00	\$ 3,635,221.65
Interest Charges, Etc.:		
Interest on bonds and debentures retired in 1940 Interest on term bank loans Amortization of debt discount and expense applicable to debt	\$ 126,921.48 66,552.31	
retired in 1940	15,541.79	
Other Net profit before Federal income taxes	11,524.46	\$ 3,414,681.61
Provision for:		
Federal income taxes.	\$ 773,000.00	
Federal excess profits taxes.	414,000.00	1,187,000.00
Net profit carried to earned surplus		\$ 2,227,681.61

NOTE: For Federal income and excess profits tax purposes, the company has a deduction for discount, expense and premium on the first mortgage bonds and debentures retired during 1940 charged to surplus; as a result, the provision for income and excess profits taxes is approximately \$130,000 less than would otherwise be required.

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARY OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1940

DEDUCT:

NOTE: Earned surplus is restricted under bank loan agreement to the extent of \$2,500,000 with respect to payment of dividends.

